

December 9, 2002

Diann Heffron
Project Officer
Center for Medicaid and Medicare Operations
S2-03-06
7500 Security Boulevard
Baltimore, Maryland

Dear Ms. Heffron:

This letter is sent in follow up to the November 12, 2002 conference call involving representatives from CMS central and regional offices, OMB and Rhode Island Department of Human Services (DHS). That conference call was pursuant to review of the waiver amendment submitted to CMS by DHS in July, 2002 seeking the authority to enroll children with special health care needs in Rite Care. Additional materials regarding the request for the waiver amendment have previously been submitted in response to CMS requests on October 9 and on October 24.

At issue in the conference call was the proposed trend rates for the waiver period through fiscal year 2005. CMS indicated in the conference call that it was not prepared at that point to approve the requested trend rates, citing an internal guideline limiting trend rates to a maximum of 7.3%. In discussion, CMS noted a concern it had was that only two years of claims experience had been provided by DHS; and that if DHS provided additional information so as to present the experience for a five year period it would be prepared to revisit the issue.

Given CMS' assurances that the results of this additional data analysis would be meaningful to further CMS action on the waiver amendment request, DHS agreed to undertake additional analyses. However, certain concerns were noted by DHS. Primary was that the information submitted to date for 2000 and 2001 was the result of several months of effort to define the target population and distill the experience of those groups targeted in the waiver amendment. Given time and resource constraints, analysis of the claims experience for the period 1997 through 2001 would not be at the same level of detail. Additionally, as has been noted in previous conversations, the initial analysis was confined to calendar years 2000 and 2001 due to certain changes in the ways the claims and eligibility systems functioned in the prior years. This limited the direct comparability of calendar 2000 and 2001 with the earlier period.

DHS noted these concerns in the conference call and CMS encouraged DHS to submit the additional data for its review. On this basis, further analysis was conducted for state fiscal years

1997 through 2001. The results are presented below. Note that the trend rate shown for 2001 is based on the previously submitted analysis comparing calendar 2001 with calendar 2000.

1. Method

Following the conference call, staff met to review the best approaches to respond to the CMS request. It was determined that it made most sense to produce a claims extract for the period under review (SFY 1997 – 2001). Parameters for the extract were established and refined based on review of preliminary data runs. A final data extract was developed which includes all relevant eligibility groups and available service files. The claims extract used in analysis was completed on November 25, 2002.

2. Results

Table 1 provides the results of the analysis for the period SFY 1997 - 2000. Included are all claims paid by date of service for all fee for service eligibility groups targeted for this program.

Table 1: Rhode Island FFS Medicaid Expenditures for Children with Special Health Care Needs, State Fiscal Years 1997-2000 (based on date of service)					
	1997	1998	1999	2000	1997-2000
Total paid claims	\$52,212,894	\$60,208,931	\$ 74,005,825	\$ 87,236,015	Pct. Change over Period
<i>Trend over prior year</i>		15.3%	22.9%	17.9%	67.1%
Average monthly eligibles	7,909	8,786	9,304	9,900	Pct. Change over Period
<i>Trend over prior year</i>		11.1%	5.9%	6.4%	25.2%
PMPM	\$ 550	\$ 572	\$ 663	\$ 734	Pct. Change over Period
<i>Trend over prior year</i>	n.a.	4.0%	15.9%	10.7%	33.5%

Over the 1997-2000 period, total costs¹ for these children increased by 67.1%. Part of this increase is attributable to a 25.2% increase in the average monthly eligibles. The PMPM rate

¹ Expenditures shown in this table are for claims processed and paid through the MMIS system. In each of these years additional claims costs for out of plan Medicaid services were paid outside the MMIS system and through reconciliation arrangements with other state agencies. When these dollars for DCYF related services (much the largest of these reconciliations) are included, the pmpms are follows: for 1997, \$880 pmpm; for 1998, \$908 pmpm; for 1999, \$1,019 pmpm; for 2000, \$1,135 pmpm. Associated trend rates with these out of plan services are: for the period 1997-98, 3.2%; for the period 1998-99, 12.2%; for the period 1999-2000, 13.2%

adjusts for caseload, showing a 33.5% increase over the period, with an average annual trend rate of 10.2%.

Regarding the 2000-2001 period, DHS had in earlier correspondence (October 9, 2002), indicated that because of shifts in the fee for service population the claims experience understated the true trend for the period. Specifically, higher cost children under the protective custody of the Department of Children, Youth and Families (substitute foster care children) were enrolled in RItE Care; lower cost Adoption Subsidy children remained in fee for service. Removal of the higher cost children from fee for service had the effect of artificially attenuating the observed cost trend from calendar 2000 to 2001. The SSI population, which constitutes more than 60% of the population continuing in fee for service, experienced an increase of 13.9% over that period.

More recently DHS has worked to adjust for the impacts of the substitute foster care, producing a more refined analysis of the 2000-2001 trend based on the “true” Adoptive Subsidy children along with the Katie Beckett and SSI eligible children. In this analysis the trend for the specific population targeted for inclusion in RItE Care under this waiver amendment for the period 2000-2001 was 11.1%. DHS continues to be concerned that the SSI children will drive the trends for the waiver period. However, if the 11.1% figure is used along with the results from Table 1 above the following trends from the 1997-2001 period are seen:

Table 2	
Period	Observed Trend Rate
1997-1998	4.0%
1998-1999	15.9%
1999-2000	10.7%
2000-2001	11.1%
Avg. annual trend 1997-2001	10.4%
Avg. annual trend 1998-2001	12.6%

The average annual trend for the full 1997-2001 period is 10.4%. This includes the anomalous 4% for the now long ago 1997-98 period. The trend for the most recent three year period of 1998-2001 is well above (20%) what has even been requested by DHS and is 72.6% higher than the 7.3% proposed by CMS.

In the end, we all know that our ability to predict the future is limited. What we are attempting to do is strengthen services for children with special health care needs by including them in the proven RItE Care program. We believe that this inclusion will both improve care and result in lower costs over the course of this waiver than would be experienced in the current fee for service system. This initiative embraces the principles which have guided the transformation of Medicaid that has taken place over the past decade across the country. Rhode Island takes pride in its accomplishments with the RItE Care program. Without approval of a trend rate that reflects the true costs of serving these children, in order to preserve its federal match, Rhode Island will be forced to take the path that appears to serve no one’s interests and continue these children within the fee for service system. I urge CMS to approve Rhode Island’s request for a

waiver amendment so that we can proceed with the work ahead. Thank you for your attention to this important matter.

Sincerely,

John Young
Associate Director

cc: Rich Pecorella, CMS
Elena Nicolella, CMS
Gretchen Stiers, OMB
Jane Hayward, DHS
Tricia Leddy, DHS
Deborah Florio, DHS